

ITEMS OF INTEREST FOR THE CREDIT COUNSELING INDUSTRY

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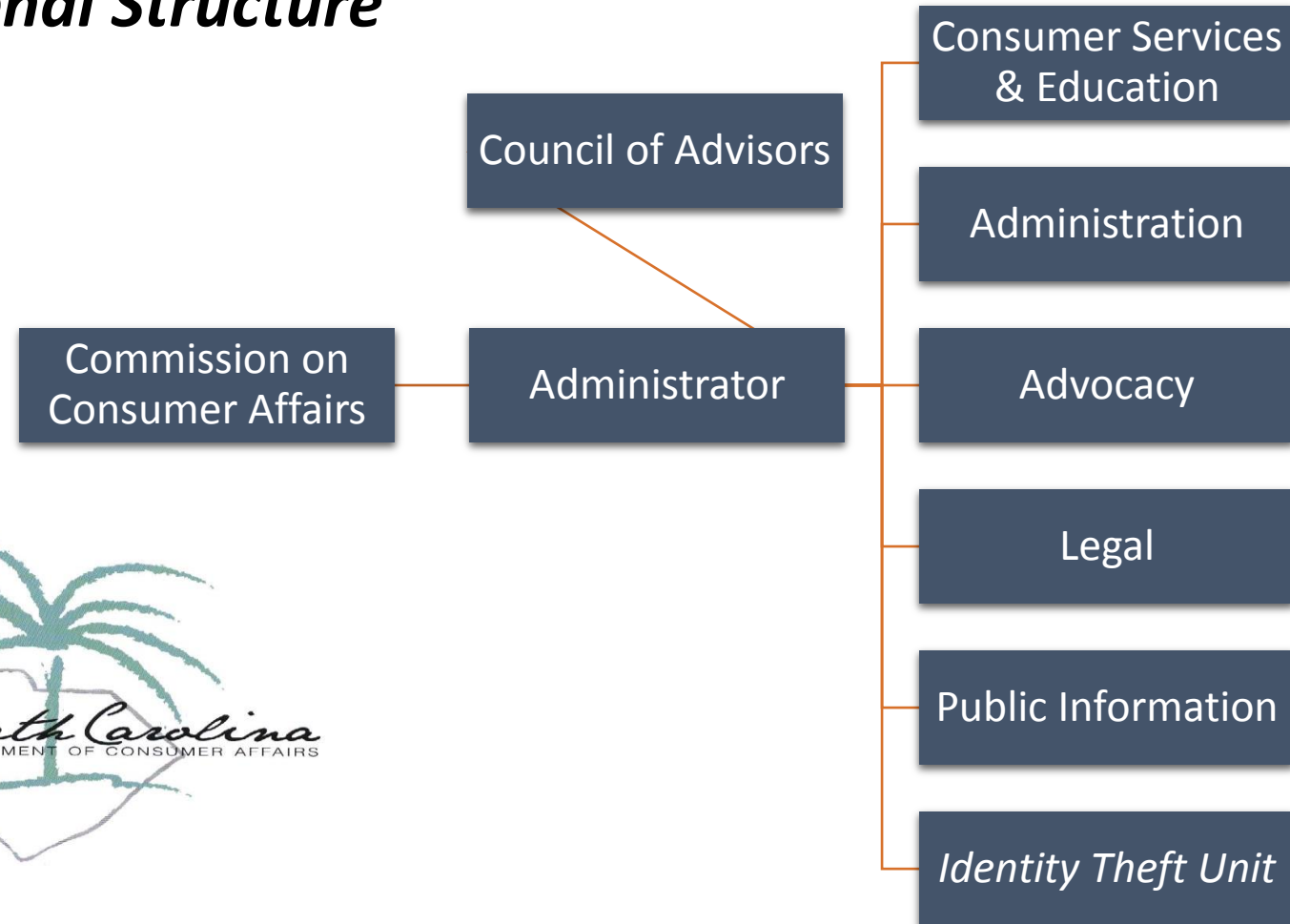
Roadmap

- FTC Actions & Reports
 - Amendments to Telemarketing Sales Rule
 - Large Fines and Refunds imposed by FTC
 - FTC Scam Warnings
- CFPB Actions & Reports
 - Highlights from Fall, 2014 Report
- SC Statutes & Regulations
 - SC Consumer Credit Counseling Act & Reg.
 - SC Abandoned Property Foreclosure
- Student Lending
- References



About SCDCA

- ***Organizational Structure***



Consumer Services Division

- The Consumer Services Division takes and attempts to resolve consumer complaints against businesses, with due regard for the rights of the business.
- The Services Division receives approximately 400 written complaints each month.
- The Division has consistently resolved about 85% of the complaints in a satisfactory manner.
- Vehicles & Debt Collection consistently in top 3 complaint categories

New Online Complaint System



The screenshot shows the homepage of the South Carolina Department of Consumer Affairs. The header features the state logo and the department's name. A navigation bar includes links for Home, Contact Us, File a Complaint, and Licensee Lookup. A left sidebar contains a 'Quick Links' menu with options like About Us, Consumer Information, Business/Industry Information, and News Releases. The main content area displays the breadcrumb trail 'Home > Consumer Information > Complaint Instructions' and a section titled 'Consumer Complaints' with introductory text about the SCDCA's role.

QUICK LINKS ►

HOME CONTACT US FILE A COMPLAINT LICENSEE LOOKUP

[Home](#) > [Consumer Information](#) > Complaint Instructions

Consumer Complaints

The South Carolina Department of Consumer Affairs (SCDCA) is the state consumer protection agency and has the role of receiving and mediating consumer complaints. SCDCA encourages consumers to contact the business first to try and

Administration Division

- Provides support for the other Divisions including personnel, accounting, data processing and purchasing
- Processes regulatory filings for:
 - Maximum Rate—creditors charging in excess of 18%
 - Credit Grantor Notification—creditors grossing over \$150,000 annual
 - Motor Vehicle Dealer Closing Costs— Dealers charging a closing (“doc”) fee

Consumer Advocacy Division

- Represents the public at large in intervening in insurance rate cases/ filings. Includes workers' compensation, auto, home, etc.
- Administers & enforces the following regulatory programs:
 - Continuing Care Retirement Communities
 - Discount Medical Plan Organizations
 - Professional Employer Organizations

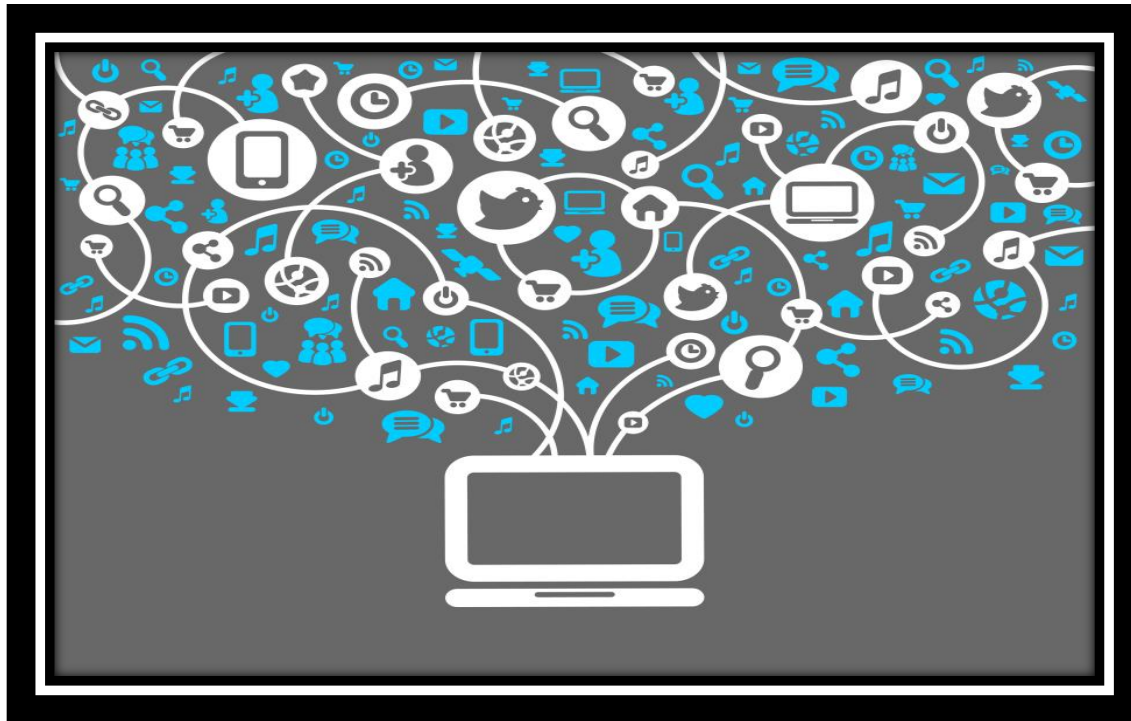
Legal Division

- The Legal Division helps the Administrator to administer and enforce the Consumer Protection Code and various other laws that have been assigned to the Department for Regulation.
 - Can investigate and bring enforcement actions, both administratively and in court, for violations of the Consumer Protection Code and various other laws.
- Process regulatory filings.

Public Information Division

- Serves as the main consumer education portal for consumers, business and media
- Launched SCDCA-TV on YouTube; Twitter
- Staff also makes presentations and sponsors webinars on ID Theft, debt collection, foreclosures, credit and other popular topics
- Disseminates press releases and consumer education brochures

Connect With Us: Social Media



Connect With Us On:



SCDCA-TV

@SCDCA

facebook.com/SCDepartmentofConsumerAffairs

Identity Theft Unit



- Launched October 1, 2013
- **Education:** Offer consumer education and outreach programs and build partnerships to increase awareness of identity theft and related consumer protection laws.
- **Guidance:** Staff provides guidance and direction to consumers regarding identity theft issues (“detect, deter, defend”) and scams, sample forms/letters and checklists. Answers hundreds of calls per month pertaining to identity theft and consumer scams.
- **Enforcement:** General administration and enforcement of state and federal identity theft laws.

Identity Theft Unit

- Field scam reports
- Answer identity theft questions
- Assist in identity theft mitigation
- Receive and ensure compliance of security breach notices
- Outreach/education

The Federal Trade Commission

Debt Relief Services and the Telemarketing Sales Rule

- The FTC is one of the nation's consumer protection agencies.
- In 2010, the FTC amended the TSR to address deceptive and abusive practices associated with debt relief services.
- The amendment expands the scope of the TSR to apply to “in-bound” calls as well as “out-bound” calls.
- There are other important points to remember about the new rule.



Three key principles of the new rule:

1. It is illegal to charge upfront fees.
2. You have to disclose certain information before signing people up for the service.
 - Fundamental aspects of your services including amount of time to get results, how much it will cost, any negative consequences they may face from using the service, etc.
3. You cannot misrepresent your services.
 - No false or unsubstantiated claims about your services

Who is covered by the rule?

- Rule applies to “for-profit” sellers of debt relief services and telemarketers for debt relief companies.
- Examples of debt relief services are:
 - Debt settlement, debt negotiation, and credit counseling
- So, if you claim that you can renegotiate, settle, or in some way change the terms of a person’s debt to an unsecured creditor or debt collector, AND use telemarketing to induce the consumer into buying your services over the telephone, then you are subject to the TSR.

Mortgage Assistance Relief Services Act

- The FTC issued this rule to curb unfair and deceptive practices related to mortgage assistance relief services.
 - Homeowners that are facing foreclosure are desperate for a way to hold on to their homes. This makes them prime targets for scam artists who promise them that they can save the consumers' homes.
- Like the TSR, the MARS Act imposes certain obligations on companies offering mortgage assistance relief services.

Tips on complying with the MARS Act

1. Companies cannot collect money from a consumer unless the company delivers—and the consumer accepts—a written offer of mortgage relief from the consumer's lender or servicer;
2. Companies must clearly disclose certain things before signing up consumers for services:
 - Total cost of the service;
 - That they can stop using the service at any time;
 - Must tell consumer that you are not affiliated with the government or their lender; and
 - Their lender may not agree to change the terms of their mortgage.

Tips continued...

3. Must warn consumers that failure to pay their mortgage could result in the loss of their home or damage to their credit rating;
4. Must not advise consumers to stop communicating with their lender or servicer;
5. Must give consumer written notice from the lender or servicer describing all material differences between the terms of the offer and the customer's current loan;

Tips continued...

6. Must tell consumer that if the lender or servicer's offer isn't acceptable to them, they don't have to pay your fee;
7. Must not make claims that are false, misleading, or unsubstantiated.



**THE TRUTH BEHIND
FALSE CLAIMS
SCAMS AND FRAUDS**

Who is covered by the MARS Act?

- Businesses that are a for-profit provider of mortgage assistance relief services;
 - Bona fide non-profit organizations aren't covered, but the Rule applies to companies that falsely claim non-profit status.
- The Rule applies whether you work directly with consumers' lenders or servicers to get mortgage relief or you offer services to help consumers do it on their own.



Actions taken by the FTC in 2014:

- The FTC is taking action against companies for violating rules regulating the credit counseling industry such as the CROA, MARS, and the TSR.
- Federal Trade Commission v. AmeriDebt, Inc., et al.
 - In September, 2014, the FTC required AmeriDebt to refund \$1,792,759 to 60,813 consumers because AmeriDebt allegedly deceived consumers about their fees, misrepresented that AmeriDebt was a non-profit, and falsely promised to teach consumers how to handle their credit and finances.
 - The FTC previously returned more than \$15 million to consumers affected by AmeriDebt's scam.

Actions continued...

- United States of America v. RMCN Credit Services, Inc, et al.
 - One of the nation's largest credit repair companies.
 - The FTC alleges that RMCN violated the Credit Repair Organizations Act because they misled credit bureaus and charged customers up-front fees.
 - Company had to pay \$400,000 in fines and refunds for violations.
- MyCreditHealth and ScoreSense:
 - Companies failed to clearly disclose that consumers who accessed their credit score through their websites would be enrolled in a credit monitoring program and incur monthly charges until they called the defendants to cancel. At least 210,000 consumers contacted banks, credit card companies, law enforcement agencies, and the Better Business Bureau to complain about the scheme.
 - Company must pay \$22 million for consumer refunds

FTC Warnings:

- The FTC has issued warnings to all consumers about prerecorded phone calls from companies claiming that they can negotiate lower interest rates with credit card companies if you pay a fee first.
- Also, the FTC has constant warnings about phony scams that claim governmental affiliation and can negotiate with creditors on a consumer's behalf.

The Consumer Financial Protection Bureau (CFPB)

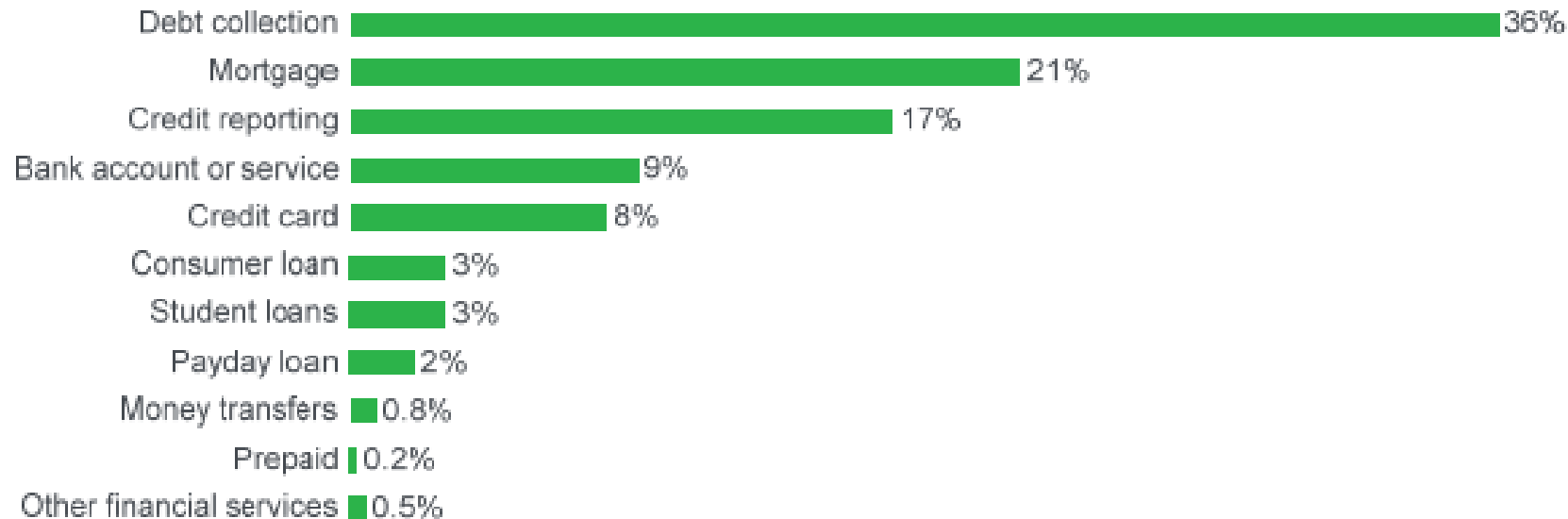
CFPB Actions Relating to Mortgage and Credit Counseling Industries

- The CFPB is another national consumer protection agency.
- In September 2014, the CFPB announced that it would be conducting a research project called “Project Catalyst Research Pilot.”
 - The research program plans to examine the effectiveness of early intervention of credit counseling for consumers who are at risk of defaulting

CFPB Semi-Annual Report, Fall, 2014

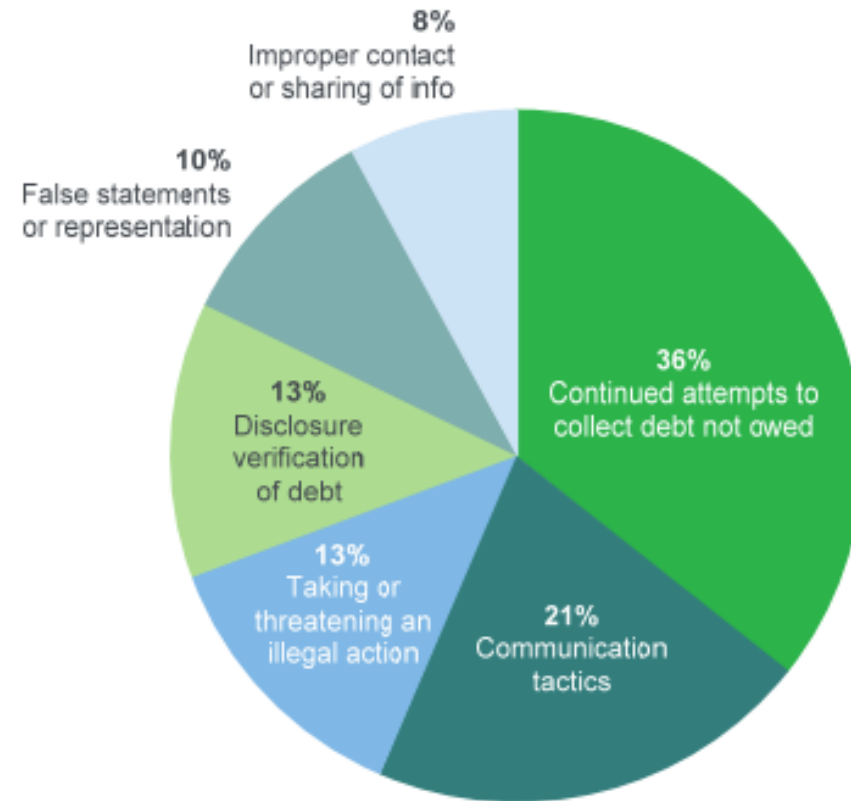
- Between October 1, 2013 and September 30, 2014, the CFPB received approximately 240,600 consumer complaints.

FIGURE 1: CONSUMER COMPLAINTS BY PRODUCT



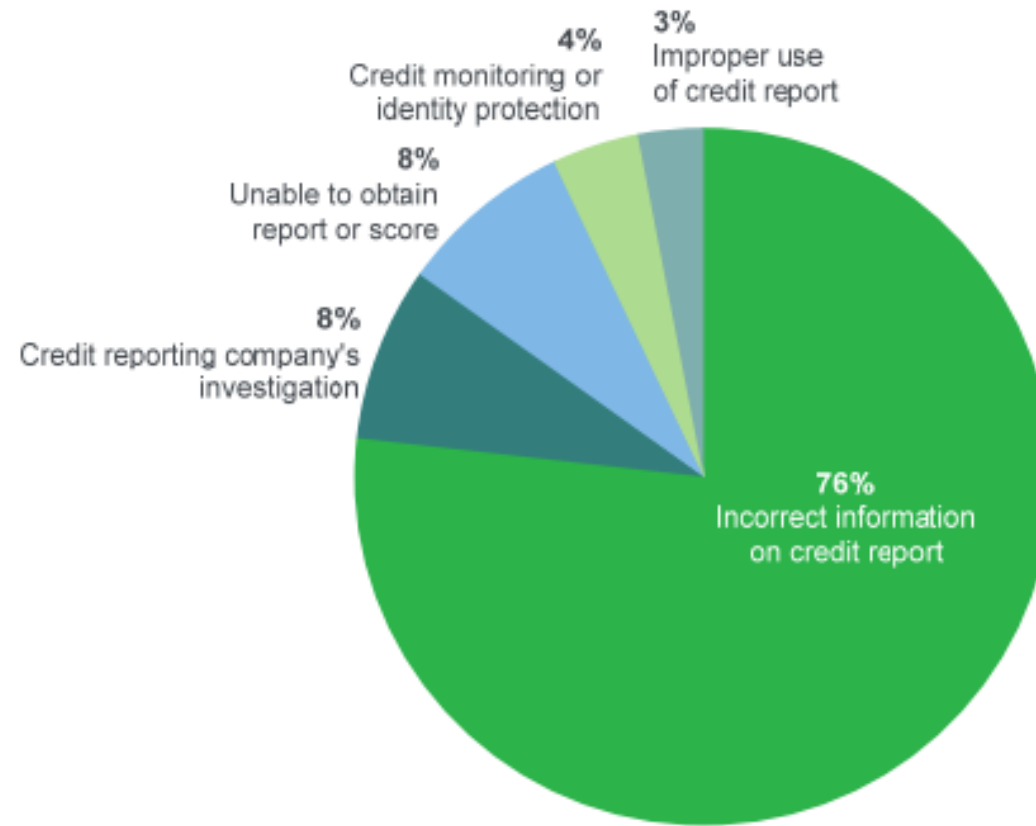
Debt Collection Complaints

FIGURE 3: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS



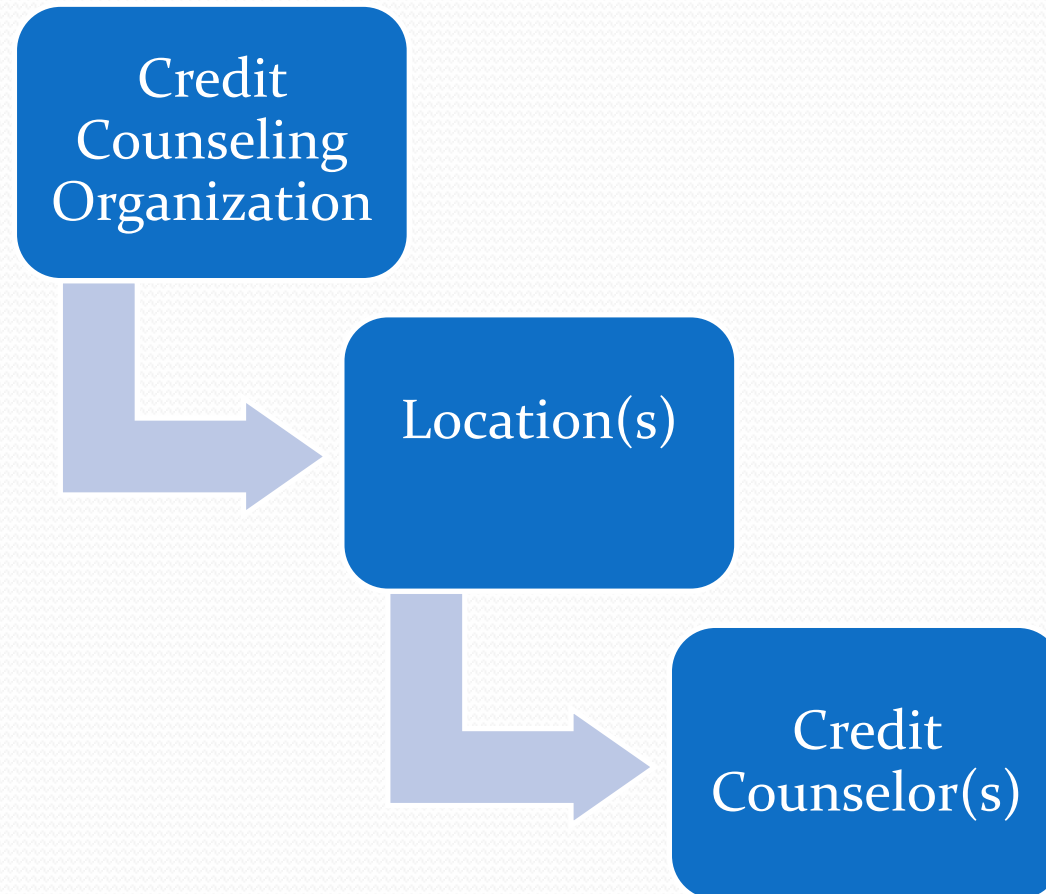
Credit Reporting Complaints

FIGURE 5: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS



Rules in South Carolina Relating to the Mortgage and Credit Counseling Industries

Credit Counseling Licensing



Review of Licensing Requirements

- South Carolina Credit Counseling Act, Section 37-7-101, *et seq.* –
 - Effective 12/2/2005 & applies to contracts and solicitations from that date forward.
- A person may not engage in credit counseling services in SC, whether or not the person has an office, facility, agent, or other physical presence in SC, **unless licensed by SCDCA.**

Review of Licensing Requirements cont...

- ***Credit Counseling Organization*** means a person **providing or offering to provide** to consumers “credit counseling services” for a fee, compensation, or gain, or in the expectation thereof.
- ***Credit Counselor*** means an employee or agent of a credit counseling organization engaging in credit counseling services

Review of Licensing Requirements cont...

- “*Credit Counseling Services*” =
 - Receiving money from a consumer to distribute it among the consumer’s creditors; (*Debt Management Plans*)
 - Improving or offering to improve a consumer's credit record, history, or rating; (i.e. *Credit Repair, Credit Improvement, etc.*)
 - Negotiating to defer or reduce a consumer’s obligations with respect to credit extended by others. (*Debt Negotiation/ Settlement, Foreclosure Assistance, etc.*)

SCCCCA: Fees*



DMPs	
Initial Consultation Fee	\$50
Plan Set-up Fee	\$30
Monthly Maint. Fee	\$10 per creditor, not to exceed \$50
Reinstatement Fee	\$25

***Credit Counseling Organizations may not impose/receive fees under more than one of the categories as provided (the “3 statutory categories of Credit Counseling Services”). Fees must be based on primary purpose of the services the consumer contracted for.**

SCCCCA: Fees cont

Credit Repair

Initial Consultation Fee	\$50
Monthly Maint. Fee	\$40
Reinstatement Fee	\$25

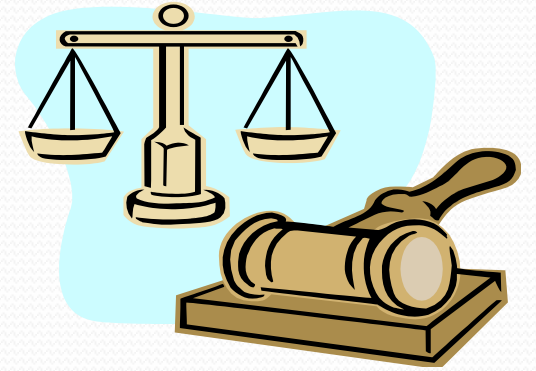
Debt Settlement

Initial Consultation Fee	\$50
Plan Set-up Fee	\$30
Monthly Maint. Fee	\$10 per creditor, not to exceed \$50
Reinstatement Fee	\$25

SCCCCA: Prohibitions

- **In General**

- **No referral fees**
 - Accepting directly/indirectly or offering to pay;
- Ask consumer to waive right
 - Ex: Right to sue
- Fraudulent, deceptive, or misleading acts (including advertising)
- Operate another business at licensed location w/out authorization from SCDCA
- Offer to sell any other product/service to consumer enrolled in DMP



Review of Licensing Requirements cont

- **Desk Reviews** to monitor compliance
 - Fees! Services offered!
 - Consumer Complaints, Industry & “Self” Reporting – encouraged
- Will be conducting ~ 4 reviews/year
 - Will request certain info/documents from licensees to be provided w/in 72 hours.
 - Will examine different months, geographic regions, different-sized organizations

Credit Counseling Annual Report Compilation

- Requirement
 - *On or before April 15th of every year organization must file report about prior year's business conducted*
 - *§37-7-15 (A) – Annual Reporting Requirement*
 - *2013 – 3 licensed Credit Counseling Organizations were late in filing '13 Annual Reports*
 - *§37-7-15 (E) – late penalty of \$50/day for each day the report is overdue*



S.C. Abandoned Property Foreclosure

- On June 2, South Carolina established a new expedited procedure for mortgage foreclosures on abandoned properties.
- SB 1007 allows a mortgagee or its successor to petition a court for an expedited judgment of foreclosure if the property is not occupied and meets at least two of several conditions:
 - For example, windows or entrances are boarded or otherwise closed, doors are smashed or continually unlocked, utility services have been terminated
- And, the property does not fall within certain exceptions:
 - For example, it is seasonally occupied or the owner is deceased and the heirs can be identified.



STUDENT LOANS

OVERVIEW

- An education loan is a form of financial aid that must be repaid, with interest.
- Education loans come in three major categories:
 - **student loans** (e.g., Stafford and Perkins loans),
 - **parent loans** (e.g., PLUS loans) and
 - **private student loans** (also called alternative student loans).
 - A fourth type of education loan, the **consolidation loan** allows the borrower to lump all of their loans into one loan for simplified payment. A recent innovation is peer to peer education loans.
- More than \$100 billion in federal education loans and \$10 billion in private student loans are originated each year.

TYPES OF STUDENT LOANS

- Federal



- Private



FEDERAL LOANS

- **Federal loans** are available to college and university students via funds disbursed directly to the school and are used to supplement personal and family resources, scholarships, grants, and work-study.
 - may be subsidized by the U.S. Government or may be unsubsidized depending on financial need.



FEDERAL LOAN USE

- Money from federal loans may only be used to pay for education expenses at the school that awarded your loan.
- **Education expenses** include school charges such as
 - tuition
 - room and board
 - fees
 - books
 - supplies
 - equipment
 - dependent childcare expenses
 - transportation
 - rental or purchase of a personal computer.



FEDERAL LOANS CONT'D

- **Subsidized** and **unsubsidized** loans are guaranteed by the U.S. Department of Education either directly or through guaranty agencies.
 - Nearly all students are eligible to receive federal loans (regardless of credit score or other financial issues).
 - Federal student loans are not priced according to any individualized measure of risk, nor are loan limits determined based on risk. Rather, pricing and loan limits are politically determined by Congress. Undergraduates typically receive lower interest rates, but graduate students typically can borrow more.
- Both types offer a **grace period** of six months, which means that no payments are due until six months after graduation or after the borrower becomes a less-than-half-time student without graduating.

FEDERAL LOAN PROGRAMS

- Federal Family Education Loan Program (“FFELP”)
 - Originator is the Bank or a Guarantor
 - Bank is insured by Guarantor
 - Guarantor is insured by the Department of Education
 - As of July 1, 2010, these are no longer available
- William D. Ford Federal Direct Loan Program (“Direct Loans”)
 - Originator is the Department of Education
 - The only option for a Federal Loan Program as of July 1, 2010

4 TYPES OF FEDERAL LOANS

1. PLUS Loans

- (Parent Loans For Undergraduate Students)
- (GradPlus Loans for Graduate Students)

2. Stafford Subsidized

3. Stafford Unsubsidized

4. Perkins Loans



A student receiving a federal loan does not need a credit history or a cosigner

PLUS LOANS

- For Direct PLUS Loans first disbursed on or after July 1, 2014, and before July 1, 2015, the interest rate is **7.21%**. These are fixed interest rates for the life of the loan.
- Parents can borrow up to cost of attendance minus any other financial aid award amounts.
- Parents must have satisfactory credit history
- Parents now have the choice of making payments while the student is in school or deferring payments until the student graduates. If you choose to pay after graduation, interest will accrue from the time of full disbursement. You can choose to pay the interest monthly, or you can defer both interest and principle until the student graduates. If you choose not to pay the interest monthly, it is capitalized no more than four times per year
- Can request deferment but will continue to pay interest on interest



FEDERAL STAFFORD LOANS



- **Subsidized Loans**
 - Need-Based
 - government pays the interest while the student is enrolled
- **Unsubsidized Loans**
 - NOT NEED BASED
 - Interest starts immediately and capitalizes if not paid
- Both require that you start paying the loan back 6 months after graduation

STAFFORD SUBSIDIZED LOANS

- The subsidized Federal Stafford Loan is a federal student loan available to students with financial need.
- Least expensive loan options for students because the federal government pays the interest while the student is attending college on at least a half-time basis and during other periods of authorized deferment.
- This interest subsidy effectively gives the loan a zero percent interest rate during the in-school and other deferment periods.
- Interest rate is 4.66% for the 2014-2015 school year and a low origination fee around 1%.

STAFFORD SUBSIDIZED LOAN LIMITS

- Loan limits on subsidized Stafford loans are the same for independent and dependent students.

Undergraduate Grade Level	Subsidized Stafford Loan Annual Loan Limits
Freshman	\$3,500
Sophomore	\$4,500
Junior, Senior and Beyond	\$5,500
Cumulative Limit	\$23,000

STAFFORD UNSUBSIDIZED LOANS

- Federal student loan that is not based on financial need.
- Interest accrues on unsubsidized loans from the time the loan is disbursed by the school.
- If the borrower does *not* pay the interest as it accrues, it is capitalized (added to the loan balance).
- More expensive option because the interest is not paid by the federal government.
- However, the interest rate is the same as the subsidized Stafford and the origination fee is still around 1%.

STAFFORD UNSUBSIDIZED LOAN LIMITS

- Important note: The loan limits are reduced by the amount of any subsidized Federal Stafford loans received by the student and do depend on whether the student is a dependent or independent.

Undergraduate Grade Level	Unsubsidized Stafford Loan Annual Loan Limits Dependent Student	Unsubsidized Stafford Loan Annual Loan Limits Independent Student
Freshman	\$5,500	\$9,500
Sophomore	\$6,500	\$10,500
Juniors, Seniors and Beyond	\$7,500	\$12,500
Cumulative Limit	\$31,000	\$57,500

PERKINS LOANS

- Need-based
- College picks recipients
- Interest rate set by statute – 5%



PERKINS LOAN

- The **Federal Perkins Loan Program** provides low interest loans to help needy students finance the costs of postsecondary education.
 - Students attending any one of approximately 1,700 participating postsecondary institutions can obtain Perkins loans from the school.
- The school's revolving Perkins loan fund is replenished by ongoing activities, such as collections by the school on outstanding Perkins loans made by the school and reimbursements from the Department for the cost of certain statutory loan cancellation provisions.

PERKINS LOAN

- Perkins promissory note must be completed in order to receive a loan.
- Perkins borrowers are eligible for loan cancellation for teacher service at low-income schools and under certain other circumstances specified in the law.
 - Students may defer repayment of the loan while enrolled (at least half-time) at a postsecondary school.
- A borrower who has difficulty repaying a Perkins Loan should contact the school where he or she received the loan to find out if he or she is eligible for a deferment or forbearance based on economic hardship or other circumstances.

5 KEY FEATURES OF FEDERAL LOANS



1. FIXED INTEREST RATES*

Interest Rates for Direct Loans First Disbursed on or After July 1, 2013			
Loan Type	Borrower Type	Loans first disbursed on or after 7/1/13 and before 7/1/14	Loans first disbursed on or after 7/1/14 and before 7/1/15
Direct Subsidized Loans	Undergraduate	3.86%	4.66%
Direct Unsubsidized Loans	Undergraduate	3.86%	4.66%
Direct Unsubsidized Loans	Graduate or Professional	5.41%	6.21%
Direct PLUS Loans	Parents and Graduate or Professional Students	6.41%	7.21%

*subject to change through Government action

2. CAP ON AMOUNTS

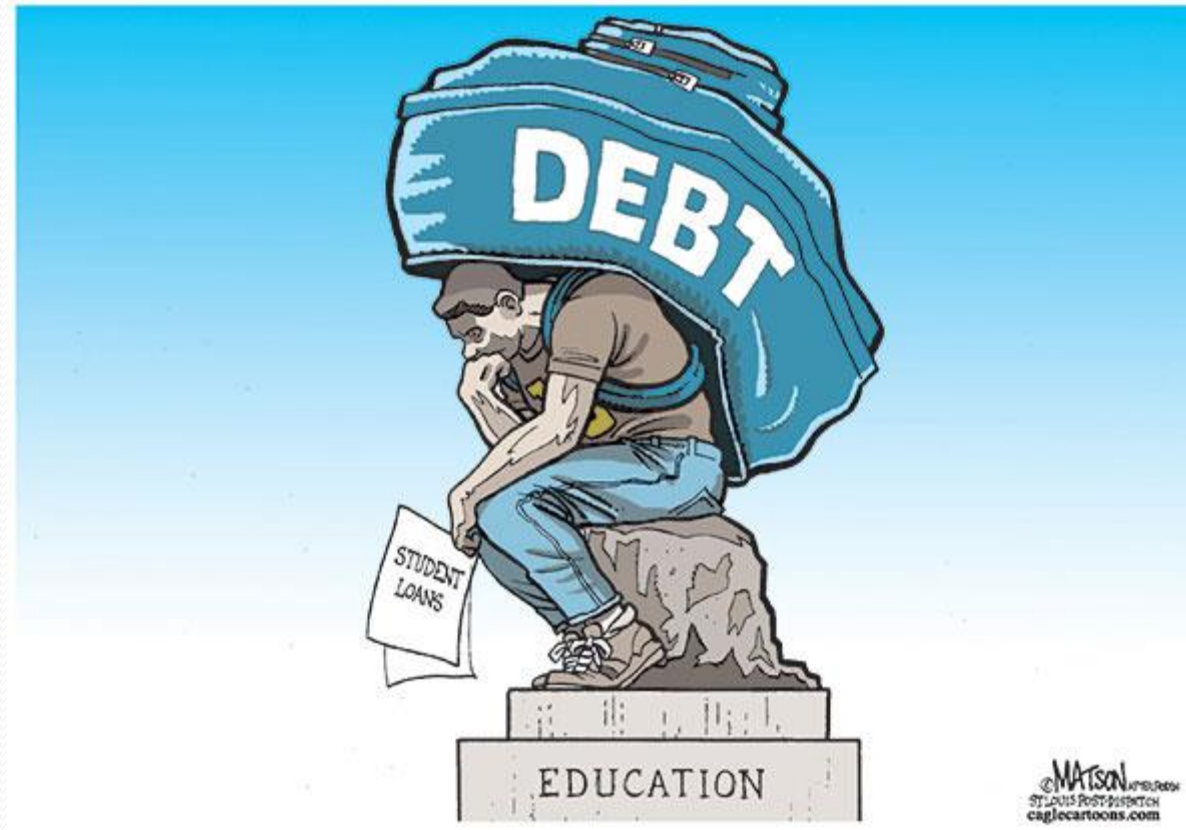
- Yearly caps
 - \$3,500 to \$12,500
- Caps on total amount borrowed



3. INTEREST DEFERRAL WHILE IN SCHOOL



4. LONG CURE PERIOD (270 DAYS)



5. FRIENDLY REPAYMENT OPTIONS FOR FEDERAL LOANS

- Standard Plan - fixed payment, fixed time not to exceed 10 years.
- Extended, up to 25 years
 - must owe over \$30, 000, not to exceed 25 years
- Graduated
 - Starts with a lower payment which increases over the life of the loan
- Income Contingent Repayment (“ICR”)
 - For Parent Plus Loans
 - Based on income AND loan balance
- Income Based Plan (“IBR”)
 - Based ONLY on income
 - Need-based cap at 10% of discretionary income (i.e., take-home pay)
- Pay As You Earn Plans (“PAYE”)
 - All Stafford, Direct PLUS Loans made to students and consolidation loans that do not include loans made to parents are eligible.

INCOME-BASED REPAYMENT PLANS AND EXTENDED PLANS

- You can have both an extended plan and an income-based repayment plan
 - For example, you can get a 25-year extended plan that initially reduces your monthly payment each month
 - If you qualify for an income-based repayment plan that caps payments at 10% of discretionary income and you take home only \$1500 a month, your monthly payment gets further reduced to \$150

FEDERAL LOAN FORGIVENESS

- There are now 2 federal student loan debt programs to forgive student loans



FORGIVENESS PROGRAM #1

- Announced by the Obama Administration in October 2011
 - Students who pay their monthly payment on time, even under a combined EXTENDED, INCOME-BASED plan, will have any remaining debt forgiven at year 20
- What's the catch?
 - You must make every payment on time
 - It only makes a difference for extended plans >20 years
 - Borrower will be taxed on any forgiven amount of debt!!!

FORGIVENESS PROGRAM #2

- Public service loan forgiveness accelerates the forgiveness for income-based repayment to 10 years and makes it tax-free
 - Only federal student loans are eligible. Parent PLUS loans and private student loans are not eligible.
 - Borrower must be employed full-time in a public service job, such as police, fire, military, public education and charities
- What's the catch?
 - Only available for DIRECT Loans
 - So one must consolidate
 - You must make every payment on time
 - Are you willing to commit to public service?

PRIVATE LOANS

- Loans that are not guaranteed by a government agency and are made to students by banks or finance companies.
 - higher cost than federal loans
 - generally only used when students have exhausted the borrowing limit under federal student loans
 - not eligible for Income Based Repayment plans, and frequently have less flexible payment terms, higher fees, and more penalties
- Private student loans generally come in two types:
 - school-channel
 - direct-to-consumer

SCHOOL CHANNEL LOANS

- offer borrowers lower interest rates but generally take longer to process. School-channel loans are "certified" by the school, which means the school signs off on the borrowing amount, and the funds are disbursed directly to the school.

5284

PAY TO THE ORDER OF State University DATE _____

One million dollars \$ 1,000,000

FOR Tuition - One Semester DOLLARS  Security Features on Back

Joe Freshman

⑆ 22222222 ⑆ 123 111 555 ⑆ 5284

DIRECT TO CONSUMER

- **Direct-to-consumer private loans** are not certified by the school; schools don't interact with a direct-to-consumer private loan at all.
 - student simply supplies enrollment verification to the lender, and the loan proceeds are disbursed directly to the student.
- Carry higher interest rates than school-channel loans
 - allow families to get access to funds very quickly — in some cases, in a matter of days.

FEATURES OF PRIVATE LOANS

- Arranged privately with your bank or other financial institution



OTHER PRIVATE LOAN FEATURES

- Floating interest rates
 - depends on credit history
 - can go as high as 25%-30%
- Immediate payment
- Negotiated deal
- No right to postpone or extend payments
- Fees – on average \$900 just to get a loan



PRIVATE LOAN RATES & INTEREST

- Private student loans typically have variable interest rates while federal student loans have fixed rates.
- Consumers should be aware that some private loans require substantial up-front origination fees. These fees raise the real cost to the borrower and reduce the amount of money available for educational purposes.
- Tied to financial indexes



PRIVATE LOAN FEES

- Private loans often carry an origination fee.
 - Origination fees are a one-time charge based on the amount of the loan. They can be taken out of the total loan amount or added on top of the total loan amount, often at the borrower's preference.
 - Some lenders offer low-interest, o-fee loans.
 - Each percentage point on the front-end fee gets paid once, while each percentage point on the interest rate is calculated and paid throughout the life of the loan.

OTHER KEY FEATURES OF PRIVATE LOANS

- Hair trigger defaults
 - E.g., default if lender “feels insecure”
- Parent co-signs



LOAN CONSOLIDATION

- The Federal Direct Student Loan Program (FDLP) include consolidation loans that allow students to consolidate Stafford Loans, PLUS Loans, and Federal Perkins Loans into one single debt.
- This results in reduced monthly repayments and a longer term for the loan. Unlike the other loans, consolidation loans have a fixed interest rate for the life of the loan.



LOAN CONSOLIDATION PROPERTIES

- Consolidation loans have longer terms than other loans.
 - Debtors can choose terms of 10–30 years. Although the monthly repayments are lower, the total amount paid over the term of the loan is higher than would be paid with other loans.
- The fixed interest rate is calculated as the weighted average of the interest rates of the loans being consolidated, assigning relative weights according to the amounts borrowed, rounded up to the nearest 0.125%, and capped at 8.25%.
 - features of the original consolidated loans, such as post graduation grace periods and special forgiveness circumstances, are not carried over into the consolidation loan, and consolidation loans are not universally suitable for all debtors.

REPAYMENT

- Varies by lender

1

Standard Repayment

Everyone is on this repayment plan when they enter repayment, unless they request another plan. The repayment term is 10 years. This plan is good for those who want to pay their loans quickly and pay relatively little interest.

2

Graduated Repayment

Under this plan, you will pay a lower amount at first and your payment will rise every two years. The repayment term is 10 years. This plan is good if you need a smaller payment at first but you will be able to handle a larger payment.

3

Extended Repayment

This repayment plan is for those that have more than \$30,000 in student loan debt. The repayment term is 25 years. This plan is good if you need a lower payment on a high-balance loan. You will pay more interest over the life of the loan than with the standard or graduated plans.

4

Income-Contingent Repayment

The Income-Contingent Repayment (ICR) plan is designed to make repayment easier by basing your monthly payment on your income and student-loan debt. This repayment plan is intended to help students who pursue careers with lower salaries, including careers in public service.

5

Income-Based Repayment

Under Income-Based Repayment (IBR), your monthly payment is calculated on your income and family size. It is meant to help make your student loan payments more affordable. Your payment is capped at 15% of the difference between your income and 150% of the poverty level for your state and family size.

6

Pay As You Earn

Like IBR, this plan limits your monthly payments to an affordable amount based on your income and family size. Your payment is capped at 10% of the difference between your income and 150% of the poverty level for your state and family size. The maximum repayment plan is 20 years, if your loans are not repaid after 20 years, the remaining balance will be forgiven.

OPTIONS DURING REPAYMENT

- Deferment
- Forbearance



DEFERMENT

- A deferment is a period during which repayment of the *principal* and interest of your loan is temporarily delayed.
- During a deferment, you do not need to make payments.
 - depending on the type of loan you have, the federal government may pay the interest on your loan during a period of deferment.

DEFERMENT OF FEDERAL LOANS

- The government may pay the interest on your
 - *Federal Perkins Loan*,
 - Direct *Subsidized Loan*, and/or
 - Subsidized Federal Stafford Loan.
- The government does not pay the interest on your unsubsidized loans (or on any PLUS loans).
 - You are responsible for paying the interest that accrues (accumulates) during the deferment period, but your payment is not due during the deferment period. If you don't pay the interest on your loan during deferment, it may be capitalized (added to your principal balance), and the amount you pay in the future will be higher.

FEDERAL LOAN DEFERMENT SCENARIOS

- Deferment arrangements may be made in the following circumstances:
 - Students must be enrolled at least half-time in an undergraduate program.
 - Students must be graduate fellows.
 - Borrowers that have entered repayment but can prove economic hardship may qualify.
 - Borrowers unable to find consistent, full-time work may qualify to defer.
 - Borrowers in the armed services may defer.

DEFERMENT OF PRIVATE LOANS

- Private or alternative student loans differ greatly from their federal counterparts.
- Repayment terms vary between private lenders, but some general considerations include:
 - Some private loans offer similar benefits to the federal deferment options. You might be exempt from repayment as long as you are in school.
 - Private lenders offer flexible repayment terms and attractive consolidation loans to offset repayment problems.
- Deferment of private loans is on a loan-by-loan basis.

FORBEARANCE

- If you can't make your scheduled loan payments, but don't qualify for a deferment, your loan servicer may be able to ***grant*** you a forbearance. With forbearance, you may be able to stop making payments or reduce your monthly payment for up to 12 months. Interest will continue to accrue on your subsidized and unsubsidized loans (including all PLUS loans).
- There are two types of forbearances:
 - Discretionary
 - Mandatory

DISCRETIONARY FORBEARANCE

- For discretionary forbearances, your *lender* decides whether to grant forbearance or not.
- You can request a discretionary forbearance for the following reasons:
 - Financial hardship
 - Illness

MANDATORY FORBEARANCE

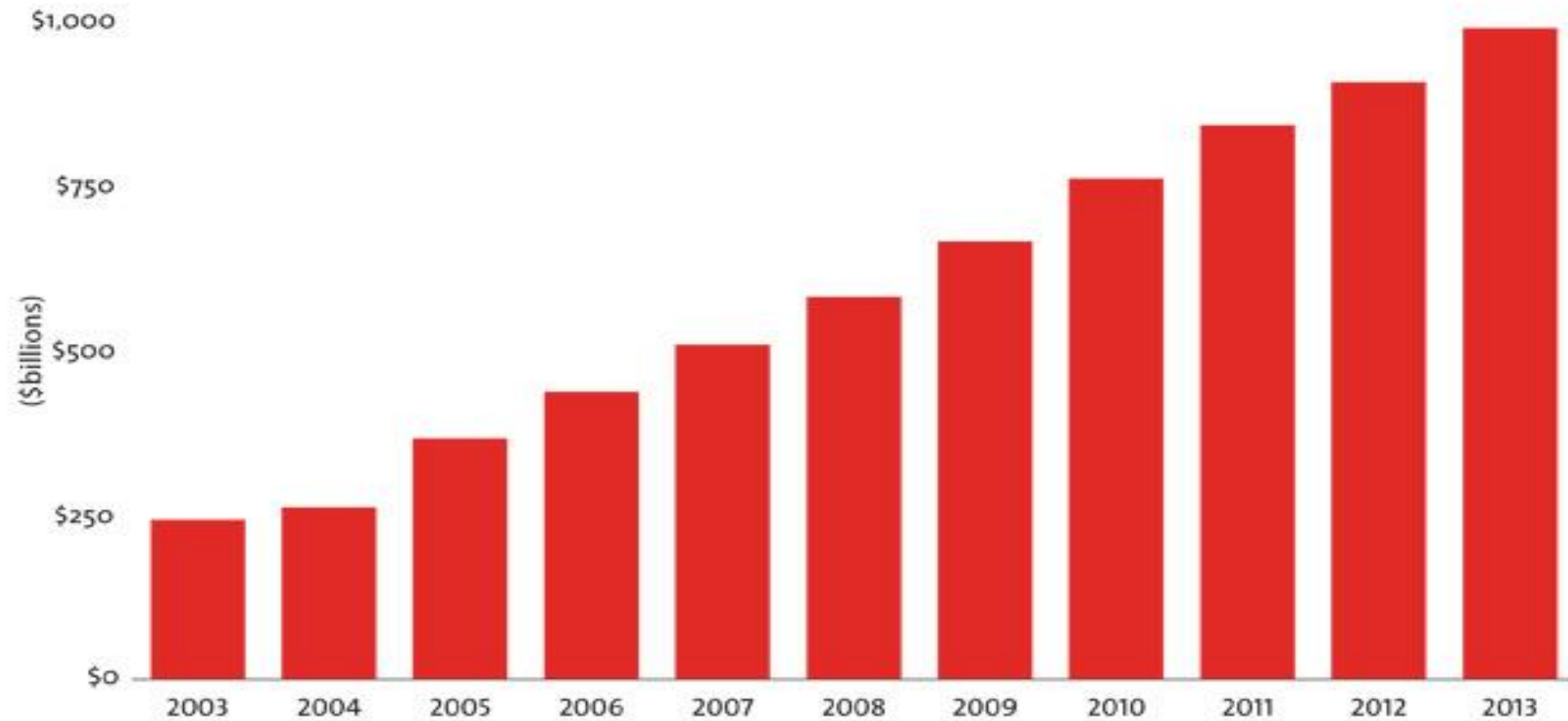
- If you meet the eligibility criteria for the forbearance, your lender is **required** to grant the forbearance.
- You can request a mandatory forbearance for the following reasons:
 - serving in a medical or dental internship or residency program, and you meet specific requirements.
 - The total amount you owe each month for all the student loans you received is 20 percent or more of your total monthly gross income (additional conditions apply).
 - serving in a national service position for which you received a national service reward.
 - performing teaching service that would qualify for teacher loan forgiveness
 - qualify for partial repayment of your loans under the U.S. Department of Defense Student Loan Repayment Program
 - member of the National Guard and have been activated by a governor, but not eligible for a military deferment.

DURING FORBEARANCE...

- Interest will continue to be charged on all loan types, including subsidized loans.
 - You can pay the interest during forbearance or allow the interest to accrue (accumulate). If you don't pay the interest on your loan during forbearance, it may be capitalized (added to your principal balance), and the amount you pay in the future will be higher.
- You **MUST** continue making payments on your student loan until you have been notified that your request for deferment or forbearance has been granted.
 - If you stop paying and your deferment or forbearance is not approved, you will become *delinquent* and you may *default* on your loan.

Big Debt on Campus

Student loan debt has nearly quadrupled in the past 10 years.



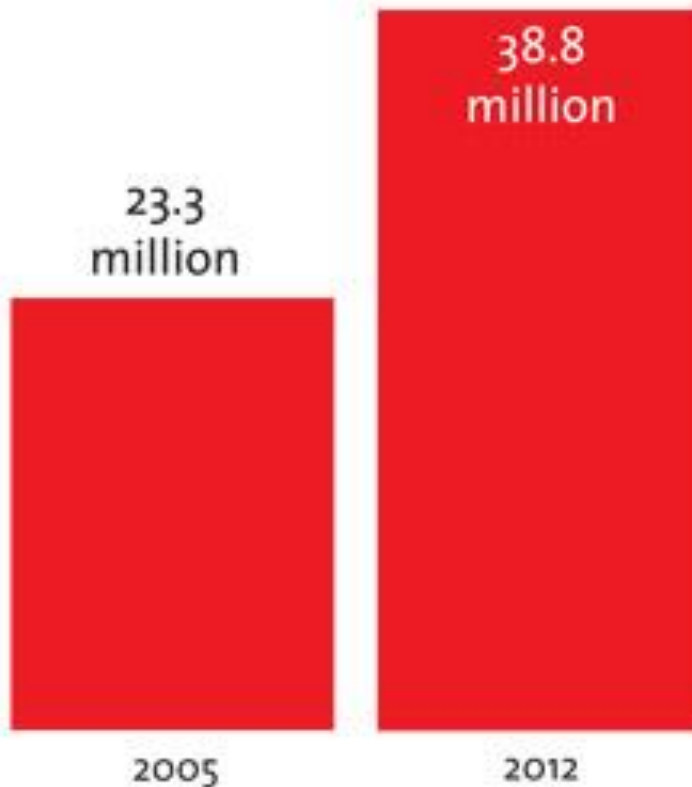
Source: Federal Reserve Bank of New York

Mother Jones

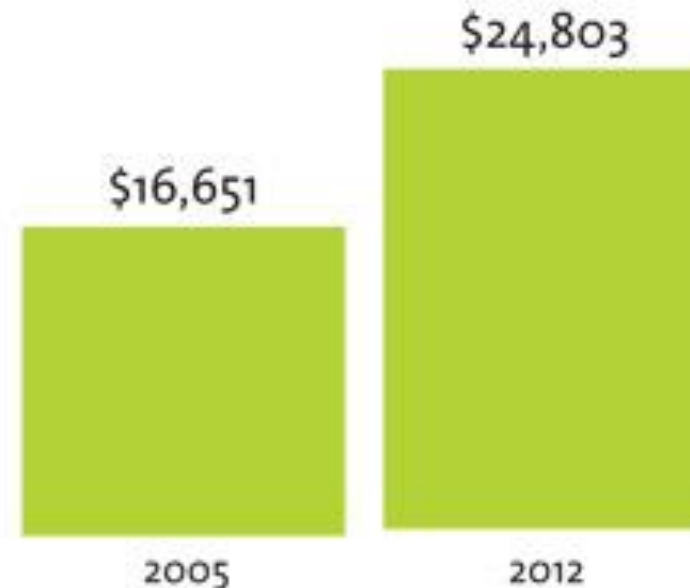
More Borrowers, More Debt

Between 2005 and 2012...

...the number of student borrowers increased 66%.



...the average student loan balance increased 49%.



Source: Federal Reserve Bank of New York

Mother Jones

WHAT HAPPENS IF YOU DEFAULT (for both federal and private loans)

- Student loans must be repaid whether or not the student finishes his/her program of study
- Lender can sue
 - Private student loan—Lender can sue you one day after you default
 - Federal loans--Student is considered in default after being delinquent for 270 days; lender may file claim as early as 271 days
- Lender may be able to garnish wages
 - Varies by state (In SC, only Feds can garnish)
- Income tax refunds may be intercepted (offset)
- Social Security benefits may be intercepted
 - Includes SSDI, not SSI benefits
 - Can take up to 15%, but must leave \$750



DEFAULT CONTINUED...

- Collection charges of up to 25% deducted from each payment, slowing repayment trajectory.
 - Fee can be as much as 40% for Perkins Loans
- Trouble renewing professional licenses
- It's on your credit report with disastrous effects for
 - getting credit cards
 - auto loans
 - apartment or housing
 - a job
- Not eligible for federal financial aid.

FIXING DEFAULT

- Settlement
 - Department of Education: they will only offer a 10% discount
 - Guarantor: may get as high as a 30% discount, but rarely happens
- Consolidation
 - Similar to a mortgage refinance
 - Process will take 30-90 days
 - Cannot complete consolidation if a wage garnishment is in place
 - Must do this through 1 of 4 servicers (Nelnet, Great Lakes, Fed Loan Servicers, Sallie Mae-now Navient)
- Rehabilitation
 - Cleans credit of default notation
 - 9 monthly payments required
 - Payment must be reasonable and affordable
 - Not available for Perkins Loans

DEBT COLLECTION

- Remember The Fair Debt Collection Practices Act (FDCPA) generally applies only to third party debt collectors—not internal collectors for an "original creditor"
 - Original Creditor includes student loans owed to the federal and state government

I Can Always File Bankruptcy To Get Out Of My Student Loan - Can't I?

- In short, no– it is very difficult to discharge student loans in bankruptcy. Discharge requires BR court to conclude payment would lead to “undue hardship”
 - Undue hardship is the present and future inability to repay the debt and maintain a minimal standard of living
- Only one percent of student loan debt gets discharged based upon a showing of undue hardship

REMEMBER...

- If you are offering student loan counseling, you may fall under the statutory definition of credit counseling
- Submit what you are doing and what services you are providing in writing
 - Include all documentation
 - Contracts
 - Advertising



Resources

- South Carolina Department of Consumer Affairs
 - www.consumer.sc.gov
- The Federal Trade Commission
 - www.ftc.gov
- The Consumer Financial Protection Bureau
 - www.consumerfinance.gov

Resources Continued...

- South Carolina General Assembly
 - http://www.scstatehouse.gov/sess120_2013-2014/bills/1007.htm
- Federal Student Aid
 - <https://studentaid.ed.gov/>
- National Student Loan Data System
 - www.nslds.ed.gov

Resources Continued...

- The Smart Student Guide to Financial Aid
 - www.finaid.org
- The Project on Student Debt
 - <http://projectonstudentdebt.org/>

Use the 'QUICK LINKS' to navigate through our site.

www.consumer.sc.gov

Use our NEW Online Complaint System to file a complaint. It's **FREE!**



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Home

Welcome

The South Carolina Department of Consumer Affairs (“DCA”/ “Department”) is the state’s consumer protection agency. Established in 1974, DCA has more than thirty-five years of experience in protecting South Carolina consumers while recognizing the needs of businesses that act honestly and fairly.

The Department accomplishes its mission by: 1.) acting as an effective regulator, 2.) providing complaint mediation services that are unmatched at both state and federal levels, 3.) saving millions for both consumers and small businesses through insurance rate filing intervention, 4.) serving as an educational portal for consumers and businesses alike, and 5) informing the public on effective ways of preventing and mitigating identity theft situations.

Helpful Links

IDENTITY THEFT RESOURCES

 **Business Complaint Response Portal**

 **Search Complaints**

Access a volume of info on identity theft here.

SCDCA is here for YOU!

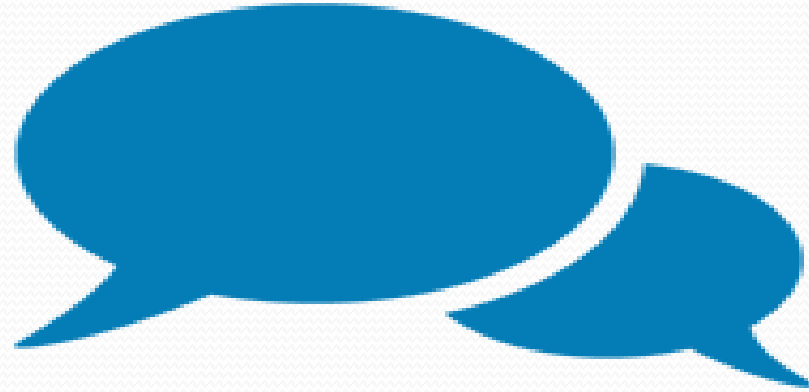
1-800-922-1594 (toll-free in S.C.)

or 803-734-4200

Monday - Friday

8:30 a.m. until 5:00 p.m.

www.consumer.sc.gov



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